

**FILED**

MAR 10 2016

SECRETARY, BOARD OF  
OIL, GAS & MINING

**BEFORE THE BOARD OF OIL, GAS AND MINING**

**DEPARTMENT OF NATURAL RESOURCES**

**STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR  
AGENCY ACTION OF CRESCENT POINT  
ENERGY U.S. CORPORATION FOR AN  
ORDER ESTABLISHING A 640-ACRE  
DRILLING UNIT FOR THE PRODUCTION  
OF OIL, GAS, AND ASSOCIATED  
HYDROCARBONS FROM THE LOWER  
GREEN RIVER AND GREEN RIVER-  
WASATCH FORMATIONS IN SECTION 9,  
TOWNSHIP 4 SOUTH, RANGE 2 EAST,  
U.S.M., Uintah County, Utah

**REQUEST FOR AGENCY ACTION**

Docket No. 2016-009

Cause No. 142-14

**CRESCENT POINT ENERGY U.S. CORPORATION**, by and through its attorneys, MacDonald & Miller Mineral Legal Services, PLLC, and pursuant to Utah Code Ann. §§ 40-6-5 and 40-6-6, hereby respectfully requests the Utah Board of Oil, Gas and Mining (the “**Board**”) to enter an order establishing a 640-acre drilling unit for the production of oil, gas, and associated hydrocarbons from the Lower Green River and Green River-Wasatch Formations, defined for purposes of this Request for Agency Action (“**RAA**”) as follows (the “**Subject Formation**”):

That interval below the stratigraphic equivalent of 9,600 feet depth in the “E” Log of the Carter #2 Bluebell Well located in the SW/4NW/4, Section 3, Township 1 South, Range 2 West, U.S.M. (which equivalence is the depth 9,530 feet of the SP curve, Dual Induction Log, run March 15, 1968, in the Chevron #1 Blanchard Well located in the NW/4SE/4 of said [Section 3]), to the base of the Green River-Wasatch formations, which 9,600-foot depth is equivalent to 5,955 feet

in CPE's Randlett Gavitte 13-23-3-1E Well, located in the SW/4SW/4 of Section 23, Township 3 South, Range 1 East, U.S.M.

Specifically, Crescent Point Energy U.S. Corporation ("CPE") requests that the Board establish a 640-acre (or the substantial equivalent) drilling unit, including sixteen 40-acre drilling tracts or well-location areas for vertical wells, encompassing the Subject Lands (as defined below), for the concurrent development of the Subject Formation by short lateral horizontal wells and traditional vertical wells to permit a flexible sectionwide development plan for the Subject Lands.

The comprehensive nature of the proposed drilling unit will not only provide CPE with the latitude needed to drill vertical or short horizontal wells in a manner driven by geology, engineering, impact-minimization, and efficiency, but also will allow and facilitate the approval of a federal communitization agreement. The flexibility requested herein with respect to the development of the Subject Lands is necessary to allow the orderly development of the Subject Formation underlying the Subject Lands, and to protect correlative rights and to prevent waste. Correlative rights will be protected because production proceeds from wells producing from the Subject Formation beneath the Subject Lands will be allocated in accordance with a voluntary pooling agreement covering the entire 640-acre governmental section beginning with first production from the Subject Lands.

Accordingly, CPE's RAA requests the Board to:

(1) Establish a 640-acre (or the substantial equivalent) drilling unit for the development of the Subject Formation (the “**640-acre Unit**”) with respect to the following lands located in Uintah County, Utah (the “**Subject Lands**”):

Township 4 South, Range 2 East, U.S.M.

Section 9: All

(2) Designate sixteen 40-acre drilling tracts or well-location areas for purposes of locating vertical wells drilled to and producing from the Subject Formation, each comprised of a governmental quarter-quarter section within the Subject Lands, for the development of the Subject Formation (each a “**40-acre Tract**” and collectively, “**40-acre Tracts**”), which tracts are intended to establish an orderly drilling pattern for vertical wells within the 640-acre Unit and are not intended to be separate drilling or spacing units as provided for in Utah Code Ann. § 40-6-6.

CPE’s request is subject to, among other things, the following:

A. A single vertical well (each a “**Vertical Well**”) may be drilled, completed, and operated from the Subject Formation in each 40-acre Tract, for a total of 16 Vertical Wells within the 640-acre Unit, inclusive of any Vertical Wells existing on the Subject Lands as of the date of this RAA, as set forth more particularly below (each an “**Existing Vertical Well**”) and collectively, “**Existing Vertical Wells**”);

B. A maximum of 12 short lateral horizontal wells, each comprised of an approximately one-mile long lateral wellbore (each an “**SLHZ Well**”) and collectively,

“SLHZ Wells”), may be drilled, completed, and operated from the Subject Formation in the 640-acre Unit, inclusive of the SLHZ Well existing on the Subject Lands as of the date of this RAA, as set forth more particularly below (the “Existing SLHZ Well”);

C. The Subject Formation constituting a “common source of supply” as defined in Utah Code Ann. § 40-6-2(19);

D. Future Vertical Wells within each 40-acre Tract shall be drilled, completed, and operated such that any future well may be located in the center of any governmental quarter-quarter section, with a 400-foot window of tolerance, located no closer than: (i) 460 feet from the boundaries of any 40-acre Tract and (ii) 920 feet to any other Existing Vertical Well or future Vertical Well producing from the Subject Formation, absent an exception location approved pursuant to Utah Administrative Code (“U.A.C.”) Rule R649-3-3;

E. No producing interval of any future SLHZ Well may be located closer than 330 feet laterally from any Existing Vertical Well or future Vertical Well, absent an exception location approved pursuant to Rule R649-3-3, U.A.C.;

F. No producing interval of any future SLHZ Well may be located: (i) closer than 330 feet laterally from the north and south boundaries of the 640-acre Unit; (ii) closer than 560 feet laterally from the east and west boundaries of the 640-acre Unit; or (iii) closer than 330 feet laterally from the producing interval of the Existing SLHZ Well

or any future SLHZ Well, within the 640-acre Unit, absent an exception location approved pursuant to Rule R649-3-3, U.A.C.;

G. Future SLHZ Wells drilled to separate zones within the Subject Formation (each a “**Stacked HZ Well**” and collectively “**Stacked HZ Wells**”) within the 640-acre Unit shall have no interwell setback distance laterally between one another within the subject 640-acre Unit, but no producing interval of an SLHZ Well within the 640-acre Unit may be located closer than 100 feet vertically from the producing interval of another Stacked SLHZ Well within the 640-acre Unit, absent an exception location approved pursuant to Rule R649-3-3, U.A.C.;

H. The surface location of: (i) any future Vertical Well may be located pursuant to Rule R649-3-2, U.A.C.; (ii) any future SLHZ Well may be located anywhere within the 640-acre Unit; and (iii) any future SLHZ may be located outside of the 640-acre Unit, all subject to the acquisition of proper surface and subsurface estate authorizations and the casing/cementing of any future SLHZ Well to the 330 foot setback set forth in Paragraph F above, both of which shall be evidenced by a self-certification of the same executed by the operator of the 640-acre Unit and filed with the Utah Division of Oil, Gas and Mining (the “**Division**”), and provided that the other setbacks set forth in Paragraph F above are otherwise maintained;

In support of this RAA, CPE states, represents, and alleges as follows:

1. CPE is a Delaware corporation with its principal place of business in Denver, Colorado.

2. CPE is duly qualified to conduct business in the State of Utah.

3. CPE is fully and appropriately bonded as required by all relevant Federal, Tribal, and State of Utah governmental agencies.

4. The oil, gas, and other hydrocarbons within the Subject Lands are subject to numerous tribal, allottee, and private (fee) oil and gas leases, of which CPE owns approximately 98% of the working interests.

5. As of the filing of this RAA, there are no well spacing, density, compulsory pooling, or other orders of the Board affecting the Subject Lands, other than the general provisions of the Board's and Division's rules regarding drilling units and well spacing.

6. As of the filing of this RAA, the following wells are the only Existing Vertical Wells located on and/or producing from the Subject Formation on the Subject Lands:

(a) Ute Tribal 6-9-4-2E Well, API No. 43-047-51558, located in the SE/4NW/4, Section 9, Township 4 South, Range 2 East, U.S.M.;

(b) Deep Creek 8-9-4-2E Well, API No. 43-047-52438, located in the SE/4NE/4, Section 9, Township 4 South, Range 2 East, U.S.M.;

(c) Deep Creek 9-9-4-2E Well, API No. 43-047-52409, located in the NE/4SE/4, Section 9, Township 4 South, Range 2 East, U.S.M.;

(d) Deep Creek 11-9-4-2E Well, API No. 43-047-52415, located in the NE/4SW/4, Section 9, Township 4 South, Range 2 East, U.S.M.;

(e) Deep Creek 12-9-4-2E Well, API No. 43-047-52440, located in the NW/4SW/4, Section 9, Township 4 South, Range 2 East, U.S.M.;

(f) Deep Creek 13-9-4-2E Well, API No. 43-047-52410, located in the SW/4SW/4, Section 9, Township 4 South, Range 2 East, U.S.M.;

(g) Deep Creek 14-9-4-2E Well, API No. 43-047-52445, located in the SE/4SW/4, Section 9, Township 4 South, Range 2 East, U.S.M.;

(h) Deep Creek 15-9-4-2E Well, API No. 43-047-52411, located in the SW/4SE/4, Section 9, Township 4 South, Range 2 East, U.S.M.; and

(i) Deep Creek 16-9-4-2E Well, API No. 43-047-52447, located in the SE/4SE/4, Section 9, Township 4 South, Range 2 East, U.S.M.

In addition, Applications for Permit to Drill (APD) have been approved for the following Vertical Wells:

(j) Deep Creek 1-9-4-2E Well, API No. 43-047-54198, located in the NE/4NE/4, Section 9, Township 4 South, Range 2 East, U.S.M.;

(k) Deep Creek 2-9-4-2E Well, API No. 43-047-54197, located in the NW/4NE/4, Section 9, Township 4 South, Range 2 East, U.S.M.;

(l) Ute Tribal 3-9-4-2E Well, API No. 43-047-53787, located in the NE/4NW/4, Section 9, Township 4 South, Range 2 East, U.S.M.;

(m) Ute Tribal 4-9-4-2E Well, API No. 43-047-52200, located in the NW/4NW/4, Section 9, Township 4 South, Range 2 East, U.S.M.; and

(n) Ute Tribal 5-9-4-2E Well, API No. 43-047-53790, located in the SW/4NW/4, Section 9, Township 4 South, Range 2 East, U.S.M.

7. As of the filing of this RAA, the following well is the only Existing SLHZ Well located on and/or producing from the Subject Formation on the Subject Lands:

(a) Deep Creek 15-9-4-2E-GR Well, API No. 43-047-54394, whose surface location is located in the SW/4SE/4 of Section 9, Township 4 South, Range 2 East, U.S.M., and whose bottomhole location is located in the NW/4NE/4 of that section.

8. As of the filing of this RAA, with the exception of the Existing Vertical Wells and the Existing SLHZ Well (collectively, the “**Existing Wells**”), there are no other wells drilled or producing from the Subject Formation on the Subject Lands.

9. Based upon the information and data obtained through CPE’s drilling of the Existing SLHZ Well in the temporary 640-acre well-siting area established pursuant to the Board’s default well-location and siting rules governing horizontal wells, CPE believes and alleges that:

(a) The drilling, completion, and operation of future Vertical Wells and future SLHZ Wells in the requested 640-acre Unit will result in production and productivity increases and greater cost effectiveness over Vertical Wells alone, and will



allow access to additional resources in the Subject Formation that would not otherwise be recovered;

(b) With respect to the SLHZ Wells, the average effective hydraulic fracture half lengths and average orientation confirm that: (i) producing interval setbacks of 330 feet laterally from any Existing Vertical Well or future Vertical Well; (ii) producing interval setbacks of 330 feet laterally from the north and south boundaries of the 640-acre Unit; (iii) producing interval setbacks of 560 feet laterally from the east and west boundaries of the 640-acre Unit; (iv) producing interval setbacks of 330 feet laterally from the producing interval of the Existing SLHZ Well, or any future SLHZ Wells, within the 640-acre Unit; (v) no interwell producing interval setback distance laterally within the 640-acre Unit between Stacked SLHZ Wells; and (vi) producing interval setbacks of 100 feet vertically from the producing interval of another Stacked SLHZ Well within the 640-acre Unit, will collectively result in efficient but limited communication between Existing Vertical Wells, the Existing SLHZ Well, future Vertical Wells, and future SLHZ Wells, and will allow greater flexibility in locating future Vertical Wells and future SLHZ Wells upon the Subject Lands, while still protecting correlative rights;

(c) It is difficult, if not impossible, to establish uniform producing interval setbacks between Existing Vertical Wells, future Vertical Wells, the Existing SLHZ Well, and future SLHZ Wells, but the same may be required to maximize resource

recovery from the Subject Formation. Additionally, the separation of individual production intervals within the pool of the Subject Formation would require separate metering and would create additional administrative burdens to either prevent, or effect, the commingling of production from the Subject Formation via Vertical and SLHZ Wells;

(d) In order to maximize the recovery of resources from the Subject Formation: (i) one Vertical Well in each 40-acre Tract on the Subject Lands (inclusive of the Existing Vertical Wells), and up to 16 Vertical Wells located within the governmental section comprising the Subject Lands (inclusive of the Existing Vertical Wells); and (ii) up to 12 SLHZ Wells in the 640-acre Unit (inclusive of the Existing SLHX Well) are necessary to allow flexibility in the drilling of wells and to allow the maximum recovery of resources from all zones and intervals found within the Subject Formation.

10. Based on the foregoing, CPE believes and alleges that in order to afford the continued protection of the correlative rights of the owners of interests in the Subject Lands:

(a) The Subject Formation should be declared a “common source of supply” as contemplated by Utah Code Ann. § 40-6-2(19);

(b) The order of the Board issued pursuant to this RAA shall become effective upon such issuance;

(c) A 640-acre drilling unit should be established upon the Subject Lands for the Existing Vertical Wells, Existing SLHZ Well, and all future Vertical and SLHZ Wells, such that all production attributable to the same may be allocated to the 640-acre Unit; and

(d) 40-acre drilling tracts or well-location areas comprising governmental quarter-quarter sections should be designated upon the Subject Lands for all Existing Vertical Wells and future Vertical Wells.

11. Due to the presence of oil and gas leases issued through the United States Bureau of Indian Affairs (“BIA”) by Tribal and/or Allottee lessors covering portions of the Subject Lands, the preparation and execution of a federal communitization agreement (“CA”) is required (whether by regulation and guideline, or through BIA practice), a prerequisite of which is the establishment of the requested conforming drilling unit. One hundred percent of the working interests in the proposed 640-acre Unit have been committed to a CA currently pending before the BIA and the United States Bureau of Land Management.

12. CPE respectfully asserts that granting its RAA will: (i) further the public policies of the State of Utah to promote greater recovery of oil, gas, and associated hydrocarbons from the Subject Formation without waste and with the protection of the correlative rights of all affected owners; (ii) constitute the orderly and consistent

development of the Subject Lands as to the Subject Formation; and (iii) be just and reasonable under the circumstances.

13. CPE will separately file a certificate of mailing listing all parties known to it, based upon its reasonable search of the Uintah County, Utah, records and the records of the Division, whose legally protected interests may be affected by this RAA.

14. As of the filing of this RAA, CPE knows of no respondents or adverse parties to CPE's Request for Agency Action in the above-captioned matter.

**WHEREFORE**, based on the foregoing, CPE respectfully requests the Board to:

1. Set this matter for hearing at the Board's next regularly scheduled hearing to be held on April 27, 2016, in Salt Lake City, Utah, to consider approving an order establishing the proposed 640-acre Unit and designating the 40-acre Tracts for the Subject Formation beneath the Subject Lands as requested herein;

2. Give notice of this RAA and the hearing as provided by the laws of the State of Utah and the regulations issued pursuant thereto;

3. Conduct a hearing at which CPE and all interested parties may be allowed to present evidence regarding CPE's request to establish the 640-acre Unit and 40-acre Tracts for the Subject Formation beneath the Subject Lands;

4. Upon production of sufficient evidence and testimony given at the hearing, issue an order:

A. Declaring that the Subject Formation is a “common source of supply,” as contemplated by Utah Code Ann. § 40-6-2(19);

B. Establishing a 640-acre Unit upon the Subject Lands for the Subject Formation for the Existing Vertical Wells, Existing SLHZ Well, and future Vertical and SLHZ Wells, effective the date of issuance of the order of the Board issued pursuant to this RAA;

C. Designating 40-acre Tracts upon the Subject Lands for the Subject Formation for all Existing Vertical Wells and future Vertical Wells, effective the date of issuance of the order of the Board issued pursuant to this RAA;

D. Authorizing the drilling, completion, and operation of one Vertical Well in each 40-acre Tract on the Subject Lands (inclusive of the Existing Vertical Wells), and up to 16 Vertical Wells in the subject governmental section comprising the Subject Lands (inclusive of Existing Vertical Wells) for the Subject Formation;

E. Authorizing the drilling, completion, and operation of up to 12 SLHZ Wells in the 640-acre Unit (inclusive of the Existing SLHZ Well) for the Subject Formation;

F. Providing that Future Vertical Wells within each 40-acre Unit Tract be drilled, completed, and operated such that any future Vertical Well may be located in the center of any governmental quarter-quarter section, with a 400 foot window of tolerance, located no closer than: (i) 460 feet from the boundaries of any 40-acre Tract

and (ii) 920 feet to any other Existing Vertical Well or future Vertical Well, absent an exception location approved pursuant to Rule R649-3-3, U.A.C.;

G. Providing for future SLHZ Well producing interval setbacks of 330 feet laterally from any Existing Vertical Well or future Vertical Well, absent an exception location approved pursuant to Rule R649-3-3, U.A.C.;

H. Providing for producing interval setbacks of 330 feet laterally from the north and south boundaries of the 640-acre Unit absent an exception location approved pursuant to Rule R649-3-3, U.A.C.;

I. Providing for producing interval setbacks of 560 feet laterally from the east and west boundaries of the 640-acre Unit, absent an exception location approved pursuant to Rule R649-3-3, U.A.C.;

J. Providing for producing interval setbacks of 330 feet laterally from the producing interval of the Existing SLHZ Well, or any future SLHZ Well, within the 640-acre Unit, absent an exception location approved pursuant to Rule R649-3-3, U.A.C.;

K. Providing that there shall be no interwell producing interval setback distance laterally within the 640-acre Unit between Stacked SLHZ Wells, absent an exception location approved pursuant to Rule R649-3-3, U.A.C.;

L. Providing for producing interval setbacks of 100 feet vertically from the producing interval of another Stacked SLHZ Well within the 640-acre Unit, absent an exception location approved pursuant to Rule R649-3-3, U.A.C.;

M. Providing that the surface location of any future Vertical Well may be located pursuant to Rule R649-3-2, U.A.C.;

N. Providing that the surface location of any future SLHZ Well may be located anywhere within the 640-acre Unit, absent an exception location approved pursuant to Rule R649-3-3, U.A.C., and subject to the acquisition of proper surface and subsurface estate authorizations and the casing/cementing of any future SLHZ Well to the 330 foot setback set forth in Paragraph F above, both of which to be evidenced by a self-certification of the same executed by the operator of such 640-acre Unit and filed with the Division, and provided that the other setbacks set forth above are otherwise maintained;

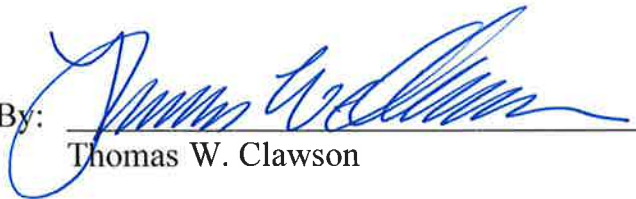
O. Providing that the surface location of any future SLHZ Well may be located outside of the 640-acre Unit, absent an exception location approved pursuant to Rule R649-3-3, U.A.C., and subject to the acquisition of proper surface and subsurface estate authorizations and the casing/cementing of any future SLHZ Well to the 330 foot setback set forth in Paragraph F above, both of which to be evidenced by a self-certification of the same executed by the operator of such 640-acre Unit and filed with the Division, and provided that the other setbacks set forth above are otherwise maintained.

5. Make such findings and orders in connection with this RAA as it deems otherwise necessary; and

6. Provide for such other and further relief as may be just and equitable under the circumstances.

Respectfully submitted this 10th day of March, 2016.

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